HOUSING MARKET OUTLOOK

Trois-Rivières

Canada Mortgage and Housing Corporation

www.cmhc.ca

FALL 2006

Residential Construction:
Starts to remain stable in 2006 and fall in 2007

The construction of freehold dwellings[1] will stabilize in 2006. The number starts of this type will slightly exceed the level recorded in 2005. This activity on construction sites will be stimulated by the favourable job market conditions that prevailed in the Trois-Rivières area in 2005, the positive impact of which will be felt throughout 2006 and during the first half of 2007, by the still affordable mortgage rates and by a resale market that will remain tight despite some easing. However, the growth in the number of households, although still positive, will be more modest in 2006, as will immigration, which will be less dynamic than in past years in the area. As a result of the combined effect of all these factors, starts will rise slightly. It is anticipated that 485 dwellings in this category will be started in 2006.

For 2007, a slowdown is expected. In fact, the impact of a few less favourable factors will start to be felt. First, there will be the job market, where the slowdown that began in 2006 will limit activity on construction sites. Then, on the resale market, a wider choice of properties will be made available to buyers as listings will rise. Finally, the growth in the number of households will be much less significant, as will immigration, which will reduce the demand for new homes accordingly in the Trois-Rivières area. In all, 450 freehold homes will be started on the Trois-Rivières territory.

IN THIS ISSUE

1 **Residential construction: Starts to remain stable in 2006 and fall in 2007**

2 **Resale market: Activity vigorous in 2006 and easing in 2007**

2 **Rental market expected to ease**

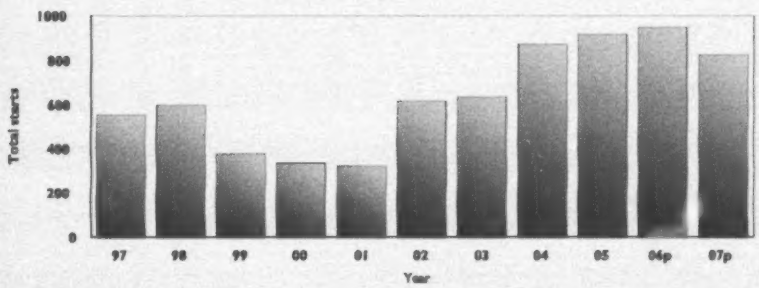
2 **More difficult years for employment**

3 **Mortgage rate have peaked**

5 **FORECAST SUMMARY**

Residential Construction

Trois-Rivières Census Metropolitan Area



f : CMHC forecast Source : CMHC

[1] *Refers to single-family houses (detached, semi-detached and row homes) owned under freehold tenure and owner-occupied duplexes.*

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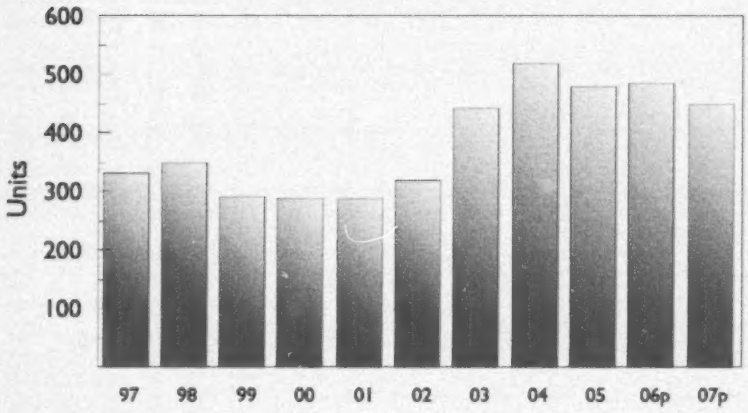
Freehold Housing Starts

Trois-Rivières Census Metropolitan Area



Source: CMHC

Resale Market: activity vigorous in 2006 and easing in 2007

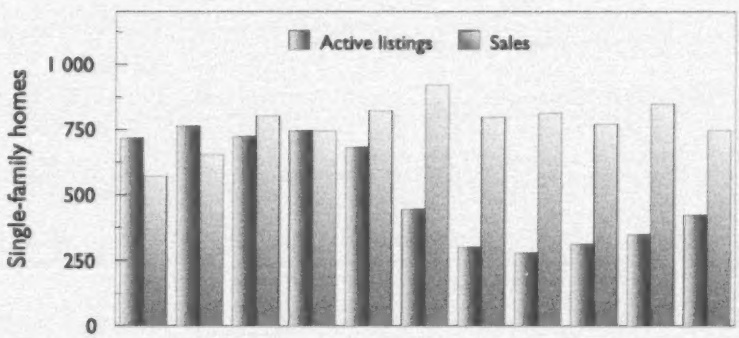
The resale market will be very active throughout 2006 in the Trois-Rivières census metropolitan area. Sales of single-family* properties will be on the rise, and this activity will be mainly supported by the good performance of the job market in the area throughout 2005 and by still favourable buying conditions. The effects of these factors will continue to be felt this year, which will have a positive impact on the number of transactions. Also, in terms of demographics, the growth in the number of households in the 25 to 34 years' age group, that is, the first-time home buyer group, will pick up in 2006 and 2007, which will bring about an increase in demand. On the supply side, the number of properties for sale, although still relatively small, will continue to rise slowly in 2006 and then more markedly in 2007. In fact, it can be felt that the supply constraint, caused by the limited number of properties for sale in recent years, is starting to ease. Finally, even if the recent rise in mortgage rates was able to slow down activity on the market, these rates still remain affordable. They even slightly decreased recently, and the medium-term outlook is not calling for any hikes over the coming quarters. As a result of the combined effect of these factors, 850 transactions will be registered in 2006, for an increase of 10 per cent over 2005. In 2007, transactions should fall by close to 12 per cent and reach 750 units.

The seller-to-buyer ratio[1], a measure of the state of the market, will go up slightly in 2006. Since sales and listings will be rising at practically the same pace, the ratio will not increase significantly, attaining 5.0 to 1. In 2007, with the slowdown in transactions, the seller-to-buyer ratio will climb more markedly and reach 5.5 to 1.

As for the average price of properties, the increases will be less considerable. The hikes of close to 10 per cent observed in recent years are now a thing of the past. However, on the assumption that the resale market will continue to favour sellers in 2006 and 2007, it can be anticipated that the growth in prices will be slightly above inflation. The average price of properties is therefore expected to rise by about 5 per cent in 2006 and by around 2 per cent in 2007.

MLS® Sales

Trois-Rivières Census Metropolitan Area



Source: CIM (CMHC compilation) f: CMHC forecast

** Single-family properties: detached, semi-detached and row homes.*

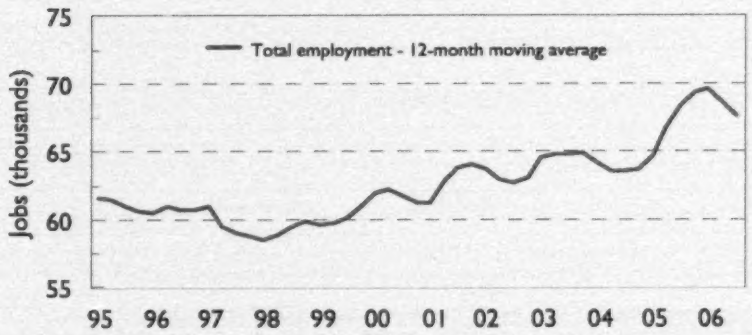
[1] The seller-to-buyer ratio is an indicator of the power relationship between sellers and buyers. On a balanced market, which equally favours buyers and sellers, the seller-to-buyer ratio stands between 8 and 9 to 1. A ratio below 8 to 1 indicates a seller's market, while a ratio above 10 to 1 signifies a buyer's market.

Rental market expected to ease

The rental housing market will further ease over 2006 and 2007. After a few years during which it was more difficult to find a dwelling, as the vacancy rate was very low in the area, the tide should turn. Already in 2005, a rise in the vacancy rate was noted in the area. This upward movement, which will continue over the next two years, will be largely stimulated by a more abundant rental housing supply, resulting from the arrival of many new units on the market in recent years. In fact, since 2002, rental housing construction has been doing well in the Trois-Rivières area. Demand, for its part, will be supported in particular by demographic factors. In fact, the growth in the number of households in the 15 to 34 years' age group, which is quite active on the rental market, will remain positive, as will be the case for the group aged 65 years or older. Given these conditions, the rise in the vacancy rate will be gradual. This rate will reach 1.9 per cent in 2006 and 2.3 per cent in 2007.

The year 2006 will also have been active in terms of construction, as close to 425 rental housing units will be started. The anticipated rise in the vacancy rate from now until 2007 should curb the enthusiasm of developers, such that rental housing construction will slow down in 2007, and 375 new rental housing units will get under way.

Job Market Running Out of Steam
Trois-Rivières Census Metropolitan Area

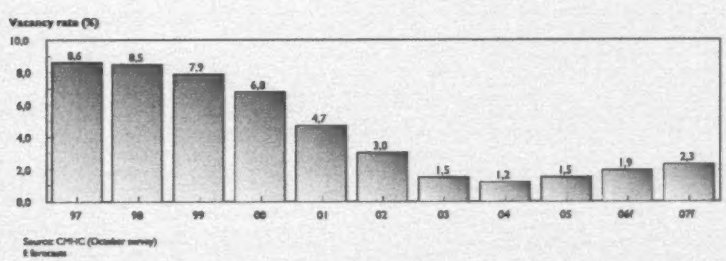


Source: Statistics Canada

More difficult years for employment

After being buoyed by a dynamic job market in 2005, the Trois-Rivières area will show more moderate economic growth this year. Following a gain of close to 6,000 jobs in 2005, the job market will decline during 2006, and the slowdown will continue in 2007. In fact, the manufacturing sector, which accounts for a significant share of the regional economy, is going through a tough period and showing more signs of difficulties to come. The strength of the Canadian dollar and energy costs, a significant input in the production and transportation of many manufactured goods, are considerably hindering the competitiveness of the manufacturing sector, especially pulp and paper and metallurgy companies. Already since the beginning of the year, the echo of layoffs has been resonating in these companies. In 2007, however, manufacturing production should pick up again, as the dollar should weaken slightly.

Vacancy Rate Back on the Rise in Trois-Rivières



Source: CMHC (October survey)
f: forecasts

Mortgage rates have peaked

A combination of a slowing economy, strong Canadian dollar vis-à-vis the U.S. dollar, and moderate inflation will help keep Canadian interest and mortgage rates low over the remainder of this year and in 2007.

Mortgage rates rose by 1.0-1.5 percentage point between September 2005 and September 2006. Mortgage rates are expected to remain low, easing by 25-75 basis points over the next two-three quarters before starting to climb higher. One, three and five-year posted mortgage rates are forecast to be in the 5.50-6.50, 5.75-6.75, and 6.00-7.00 per cent ranges respectively over the rest of this year and in 2007.

FORECAST SUMMARY

Trois-Rivières Census Metropolitan Area

Autumn-Winter 2007

	2004	2005	2006f	2007f	2005/2006	2006/2007
RESALE MARKET[1]						
Freehold						
MLS® sales	816	773	850	750	10 %	-12 %
Active MLS® listings	279	313	350	425	12 %	21 %
Sellers per buyer	4.0	4.8	5.0	5.5	–	–
Average MLS® price ($)						
Single-family homes	102,000	112,250	117,500	120,000	5 %	2 %
NEW HOME MARKET						
Starts						
Total	874	919	950	825	3 %	- 13 %
Freehold	520	480	485	450	1 %	- 7 %
Condominium	0	0	40	0	–	–
Rental	354	439	425	375	- 3 %	- 12 %
RENTAL MARKET						
Vacancy rate (October) (%)	1.2	1.5	1.9	2.3	–	–
Average rent (2-bedroom) ($)	457	474	490	500	3 %	2 %
ECONOMIC OVERVIEW						
Mortgage rate - 1-year (%)	4.6	5.1	6.3	(5.5 - 6.5)	–	–
Mortgage rate - 5-year (%)	6.2	6.0	6.7	(6.0 - 7.0)	–	–
Annual change in employment	-1,500	6,000	-1,000	- 500	–	–

[1] *The publication of MLS data is made possible thanks to the collaboration of the Québec Federation of Real Estate Boards and the Chambre immobilière de la Mauricie. This data may differ from previously published data.*

f: CMHC forecasts

Sources: CMHC and Statistics Canada

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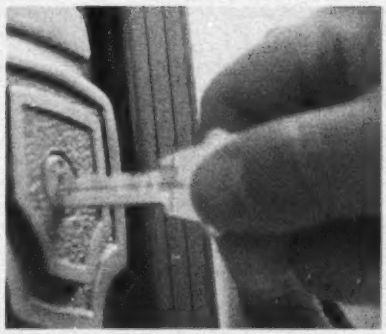

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